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USSR: Attacks on US INF Policies

A severe attack on US policies published in Pravda today appears to have been prompted by Moscow's increasing concern over its ability to impede NATO INF deployment. []

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In the article senior Soviet American specialist Georgiy Arbatov condemned US arms control policies as "totally dishonest," and implied that failure to reach agreement on INF would undermine progress in START. He claimed that any "interim" INF proposal from Washington is likely to be "no more than a propaganda ploy." []

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Arbatov warned that Moscow's counterdeployment to actual deployment by NATO would include Soviet missiles not only in Europe but also "close to US borders." Despite his denunciations, however, he indicated Moscow would "promptly note" any substantial changes in the US INF negotiating position. []

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Comment: Arbatov's article suggests that the Soviet leadership believes its energetic campaign to check deployment has not been successful. The linkage of INF with START and the threats of retaliation against Europe and the US, nevertheless, are probably intended to increase NATO and domestic pressure on Washington for an "interim" proposal for reduced INF deployment. []

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Moscow, in turn, would be likely to use such an offer to urge a delay while negotiations proceeded, in the hope that this would lead to a collapse of NATO's fragile consensus in favor of deployment. []

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Arbatov's explicit reference to Soviet counterdeployments against US territory is the second such statement in recent days. In an interview published in Italy last week, a senior Central Committee official stated that if Pershing II's are deployed in Europe, Moscow "will have to deploy missiles equivalent to the Pershing II, with an equally rapid flight time, near the borders of the United States." []

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NATO: Discussions on INF

NATO arms control experts convene again tomorrow in Brussels, and the Allies hope the US will suggest specific proposals to end the impasse at the INF negotiations in Geneva. []

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The deliberations of the Special Consultative Group tomorrow and the Nuclear Planning Group meeting of NATO ministers on Monday and Tuesday offer the Allies a final opportunity to review INF-related issues before the negotiators in Geneva recess at the end of this month for a two-month hiatus. Consequently, over the last several days the basing countries have mounted a coordinated effort to put pressure on the US to present soon some sort of compromise proposal. []

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So far, West Germany, the UK, Italy, and the Netherlands have called publicly for the US to break the deadlock at Geneva. This has prompted widespread speculation in the West European press about the prospects for a new US proposal. []

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Allied officials have argued privately against what they view as continued delay by the US, citing anticipated anti-INF demonstrations and the need to forestall a new Soviet propaganda offensive. British officials have maintained that winning over public opinion is at least as important as full deployment of US missiles. French officials have held that Moscow would find it difficult to attack a US offer to compromise. []

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Comment: []

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At the meeting tomorrow, the Allies are likely to raise the ideas explored informally last summer by Ambassador Nitze and his Soviet counterpart. They will expect any proposal to reflect the four requirements for an interim solution enumerated by President Reagan on 22 February. []

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EL SALVADOR: Human Rights Abuses

A government security official claims that intimidation, political pressure, and corruption in the judicial system are ensuring continuing human rights abuses as well as the activity of extreme rightist death squads. []

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Colonel Moran, the head of the 2,000-man Treasury Police, has admitted to a US official that he could bring criminal charges against at least seven Treasury officers. According to Moran, however, turning the offenders over to the civilian courts would result in their exoneration. He also noted that, if he dismissed men "whose only skill is killing," they would either end up working with rightist death squads or with leftist insurgents. []

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Moran denied that the Treasury Police—which have the best intelligence sources and worst human rights record in El Salvador—are responsible for death squad actions. He alleged these groups are controlled by the Constituent Assembly's chief of security and other extreme rightists, who rely on intimidation to avoid prosecution. []

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In addition, Moran claimed intervention by extreme rightist Assembly leader D'Aubuisson caused the civilian courts to release Lieutenant Lopez Sibrian, one of the instigators of the murder of two US labor representatives in 1981. Although Lopez Sibrian is back on active duty, Moran stated a majority of the officer corps favors reopening the case. []

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Comment: Moran's unusually candid revelations probably reflect his desire to resign from the military and emigrate to the US. His conclusion regarding military sentiment for a reexamination of the Lopez Sibrian case is supported by a recent survey carried out by the US Embassy. The willingness of the officer corps to press for punishment reflects its fear of jeopardizing continuing US military assistance. []

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LIBYA-USSR: Jallud's Visit

Libyan deputy leader Jallud probably will seek new Soviet support during his visit to Moscow, which began yesterday. []

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Comment: Following the strong US response to Qadhafi's attempt to topple the Sudanese Government last month, the Libyans may request additional military assistance and increased intelligence cooperation. To obtain such support, they may be willing to discuss greater Soviet access to Libyan air and naval facilities. []

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In addition, the Libyans could propose a formal friendship treaty, following their completion in the last several months of such accords with Czechoslovakia, Bulgaria, North Korea, and Romania. The USSR has been reluctant to conclude such a treaty because of Qadhafi's erratic behavior and the possible adverse effects on relations with moderate Arab states. Moscow, however, might be willing to sign a vaguely worded agreement in return for regular access to Libyan military facilities. []

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CZECHOSLOVAKIA: Rumors of Leadership Changes

A recent spate of rumors that high-level personnel changes are coming probably reflects increased jockeying for position as Czechoslovak leaders try to address economic problems at home and the implications of General Secretary Andropov's ascendancy in Moscow. []

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Economic growth has slumped badly the past two years, and consumers are grumbling about rising prices and increasing shortages. These problems have provoked debate in the conservative leadership over whether—and how far—to reform the overcentralized economic bureaucracy. []

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Comment: Despite periodic rumors of changes in the ruling elite, the leadership has remained one of the most stable in Eastern Europe. Although the current rumors are unsubstantiated and sometimes conflicting, conditions appear more conducive to change now than at any time in the recent past. []

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Andropov's accession is likely to cause repercussions in Czechoslovakia, which has long taken its lead from the USSR. The regime's ineffectiveness in dealing with the troubled economy has given [] proponents of innovation an issue to use against their political rivals. With maneuvering over reform intensifying, high-level leadership changes seem likely in the coming months. []

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USSR-NORTH KOREA: Status of Bilateral Ties

Moscow and P'yongyang seem to be trying to improve relations, but neither side is likely to show much flexibility on the key issues dividing them. []

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Pravda reports the North Korean Ambassador on 25 February delivered a personal message to General Secretary Andropov from President Kim Il-song, possibly a belated response to Soviet notes last year. According to Soviet Deputy Foreign Minister Kapitsa, the message stressed the importance that North Korea attaches to closer ties. Kapitsa also said it expressed P'yongyang's concern over the situation on the Korean peninsula, particularly the US-South Korean Team Spirit-83 military exercise. []

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[]

The Soviets, meanwhile, have harshly criticized Team Spirit-83 and have supported the North Koreans' efforts to shift the Interparliamentary Union meeting this fall from South Korea to Togo. []

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Comment: The tone of Kim's letter is in keeping with the effort the North Koreans made at the Nonaligned Summit last week to avoid criticizing the USSR's foreign policy. The Soviets probably would see improved ties with North Korea as a means of countering US efforts to strengthen its security ties with Japan and South Korea and of enhancing their own position in P'yongyang in competition with the Chinese. []

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[]

[] the Soviets probably will be represented at the Interparliamentary Union session if it is held in Seoul and will send delegates to any other international event hosted by the South Koreans. []

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Moscow and P'yongyang almost certainly will remain at odds over other key issues. These include Kim's attempts to make his son his successor, North Korea's failure to meet its trade and payment agreements, Moscow's reluctance to provide advanced weapon systems, and the Soviets' caution in supporting Korean reunification on P'yongyang's terms. []

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USSR: Calls for Economic Reforms

A recent article in *Pravda* by a senior economist who is rumored to be a protege of General Secretary Andropov suggests the USSR should adopt some of the reforms that have been successful in other "socialist" countries. It argues for greater managerial independence in both industry and agriculture. The article follows other recent critical analyses by high-level economic managers. Last fall Andropov reportedly tasked economic leaders to devise specific solutions to existing problems. [REDACTED]

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Comment: The leadership has given the media unusual freedom to criticize economic mismanagement and to discuss corrective measures, and the coverage is becoming more frequent. The public airing of such views may be intended to encourage discussion before a Central Committee plenum, possibly to be held this spring. Almost all of the articles, however, seem to rule out radical shifts from a centrally planned economy. [REDACTED]

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THAILAND: Constitutional Amendments Defeated

Parliament voted yesterday to reject constitutional amendments intended to preserve military control over the legislature. As a result, pending provisions of the constitution of 1979 will come into effect on 21 April, ending important voting powers of the military-dominated, appointed Senate. Military officers on active duty will not be permitted to hold cabinet posts. The national elections next June will be held under rules favoring large civilian political parties. [REDACTED]

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Comment: The rejection is a major setback for Army Commander in Chief General Athit, who was the driving force behind the amendments. If the results of the vote are allowed to stand, the role of the elected representatives in government will greatly increase—a situation the military has never tolerated for long. Before the vote, Athit used thinly veiled coup threats to try to ensure passage of the amendments. Athit would need at least passive acquiescence from the monarchy to stage a successful coup, however, and there is no reliable information on its position. [REDACTED]

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Special Analysis

BRAZIL: Bleak Economic Prospects

Brazil continues to face foreign exchange difficulties despite the conclusion of new loan agreements. The government is now making the economic adjustments required to retain crucial bank support, but, with the austerity program already drawing fire, it is likely to waver and fail to meet all IMF targets. At best, Brazil this year will experience a contraction of 3-5 percent in gross production, triple-digit inflation, and growing political unrest. If borrowing is curtailed, production and consumption could plummet by some 10 percent.

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Austerity Imposed

Brasilia has already allowed interest rates that it has been subsidizing to increase, has raised petroleum prices, and has cut back government spending. Last month, the government's economic policy coordination group announced a less liberal wage policy, a

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reduction in wheat subsidies, and a large devaluation to stimulate exports. [REDACTED]

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Reductions in government spending have caused Brazil's state corporations to delay investment in new projects and private business to lay off workers. Inflation spurted to an annual rate of 105 percent in February as price subsidies were phased out. Despite faster devaluations, the \$330 million trade surplus through February was nearly 70 percent below the level needed to meet the IMF target. [REDACTED]

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The economic retrenchments have provoked outspoken criticism of government policies from opposition politicians, the media, and union leaders. Brazilian businessmen also are increasingly hostile. Moreover, restrictions in the salary law and rising unemployment are causing frequent wildcat strikes. [REDACTED]

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With additional difficult economic adjustments required, state corporations, agricultural producers, and businessmen probably will intensify demands for concessions to blunt the impact of austerity on them. As consumer prices and unemployment rise, opposition will broaden to include the middle class and labor. The increased assertiveness of the Congress and state governors will complicate efforts to carry out the austerity program. [REDACTED]

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Economic Prospects

The belt-tightening and foreign financing constraints will cause real production to contract by 3-5 percent, and this will be accompanied by growing unemployment and business failures. Despite wage restraints and price controls, inflation will remain in triple digits because of the large devaluation, increases in public utility rates, and import restrictions. [REDACTED]

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Although world economic recovery and lower oil prices probably will lead to a \$4-5 billion trade surplus in 1983, it will still fall short of the \$6 billion IMF target. Even with the fall in world interest rates, the government is likely to be able to reduce its current account deficit only to some \$8 billion this year. As the trade shortfall becomes apparent, the Brazilians probably will have to ask creditors for another loan by midyear. [REDACTED]

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The Dangers

Until exports strengthen and international bankers restore short-term deposits, Brazil will require continued support in meeting its daily foreign obligations. If this support is withdrawn, it will be forced to suspend debt repayments temporarily. [REDACTED]

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Brazil's ability to arrange additional financing later this year is uncertain at best. Although the government is likely to hold the line on the measures already enacted, it probably will hesitate to take unpopular new actions in order to avoid political problems. 

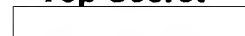
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If the government misses the IMF target by a wide margin, bankers are likely to refuse new credit requests. With new loans unavailable, economic activity could contract as much as 10 percent.



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